

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1727-01
Bill No.: HB 813
Subject: Economic Development; Economic Development Department; Business and Commerce
Type: Original
Date: March 12, 2013

Bill Summary: This proposes a new program regarding early stage business development corporations.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	(\$8,060,868)	(\$8,066,246)	(\$8,066,965)
Total Estimated Net Effect on General Revenue Fund	(\$8,060,868)	(\$8,066,246)	(\$8,066,965)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	1 FTE	1 FTE	1 FTE

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration - Budget and Planning (BAP)** assume this proposal establishes a process for designating Early Stage Business Development Corporations in the state and directs the state to pay a total of \$8 million annually for four consecutive fiscal years to these corporations beginning in FY 2014. This legislation will not impact Total State Revenue; however, it could increase General Revenue expenditures, subject to appropriation. This proposal may encourage economic activity, but BAP does not have data to estimate induced revenues.

Officials at the **Department of Economic Development** assume the implementation of this program would result in the need for one additional FTE to administer the program. The FTE would be an Economic Development Incentive Specialist III.

Officials at the **Department of Revenue** assume there is no fiscal impact from this proposal.

Oversight assumes this proposal requires the State to transfer \$8 million annually to Early Stage Business Development Corporations for four consecutive years. Oversight assumes that the transfer would come out of General Revenue.

Oversight assumes the creation of this new program outlined in this proposal may have a positive impact on the state. However, Oversight considers this to be an indirect impact of the proposal and will not reflect it in this fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
GENERAL REVENUE			
<u>Cost - Dept of Economic Development</u>			
Personal Service	(\$34,180)	(\$41,426)	(\$41,840)
Fringe Benefits	(\$17,345)	(\$21,022)	(\$21,232)
Equipment and Expenses	<u>(\$9,343)</u>	<u>(\$3,798)</u>	<u>(\$3,893)</u>
<u>Total Cost- DED</u>	(\$60,868)	(\$66,246)	(\$66,965)
FTE Change - DED	1 FTE	1 FTE	1 FTE
<u>Transfer Out - to Early State Business Development Corporations</u>	<u>(\$8,000,000)</u>	<u>(\$8,000,000)</u>	<u>(\$8,000,000)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$8,060,868)</u>	<u>(\$8,066,246)</u>	<u>(\$8,066,965)</u>
Estimated Net FTE Change on General Revenue	1 FTE	1 FTE	1 FTE
<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This proposes a new program regarding early stage business development corporations.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
Department of Revenue
Office of Administration
Budget and Planning

A handwritten signature in black ink, appearing to read "Ross Strobe", with a stylized flourish at the end.

Ross Strobe
Acting Director
March 12, 2013